



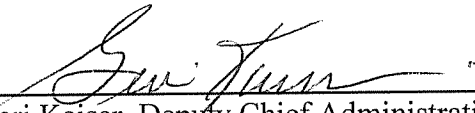
PO Box 1749
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Item No. 10.1.8

Halifax Regional Council
March 25, 2008

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY: 
Dan English, Chief Administrative Officer


Geri Kaiser, Deputy Chief Administrative Officer - Corporate Services and Strategy

DATE: March 12, 2008

SUBJECT: 2008 Spring Debenture \$26,500,000

ORIGIN

Capital Funding Requirements.

RECOMMENDATION

It is recommended that Regional Council authorize the Mayor and Municipal Clerk to sign the Resolution for Pre-Approval of Debenture Issuance, Subject to Interest Rate confirmation, not to exceed 6.5%, to enable the Halifax Regional Municipality to issue a 10-year debenture in the amount of \$26,500,000.

BACKGROUND

The Municipal Government Act requires Municipalities in the Province of Nova Scotia to approve temporary borrowing resolutions in order to borrow money for capital purposes. This resolution must subsequently be approved by the Minister of Service Nova Scotia and Municipal Relations.

The Act further provides the legislative authority for a Council to pass a resolution that sets the parameters for a debenture issue.

DISCUSSION

As stated above, the Municipal Government Act provides the legislative authority for a Council to pass a resolution that sets the parameters for a debenture issue. If the terms of the subsequently negotiated debenture issue are within the parameters, there is no longer a need for Council to approve the specifics of the issue and therefore, the debenture documents can be finalized in less time. The parameters set out in the attached resolution for preapproval of debenture issuance are as follows:

Amount	\$ 26,500,000
Maximum average interest rate	6.5 %
Terms	10 years

The following payment schedule is based on an interest rate of 6.5%, the maximum permitted per the Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate, and a debenture issue date estimated at June 2008.

FISCAL YEAR	Year	PRINCIPAL	INTEREST	TOTAL	EFFECTIVE RATE
2008/09			\$861,250	\$861,250	6.5%
2009/10	1	\$2,650,000	\$1,636,375	\$4,286,375	6.5%
2010/11	2	\$2,650,000	\$1,464,125	\$4,114,125	6.5%
2011/12	3	\$2,650,000	\$1,291,875	\$3,941,875	6.5%
2012/13	4	\$2,650,000	\$1,119,625	\$3,769,625	6.5%
2013/14	5	\$2,650,000	\$947,375	\$3,597,375	6.5%
2014/15	6	\$2,650,000	\$775,125	\$3,425,125	6.5%
2015/16	7	\$2,650,000	\$602,875	\$3,252,875	6.5%
2016/17	8	\$2,650,000	\$430,625	\$3,080,625	6.5%
2017/18	9	\$2,650,000	\$258,375	\$2,908,375	6.5%

2018/19	10	\$2,650,000	\$86,125	\$2,736,125	6.5%
Total		\$26,500,000	\$9,473,750	\$35,973,750	6.5%

The Nova Scotia Municipal Finance Corporation has provided a suggestion of six and a half percent (6.5%) for the upper limit on the average interest cost of this debenture. The actual interest cost will be provided after the Nova Scotia Municipal Finance Corporation has obtained quotes from the capital markets. The last debenture, Fall 2007, had interest rates varying from 4.58% to 5.01%. The Spring 2007 debenture resulted in interest at the rates of 4.38% to 4.63%. It is anticipated that this debenture will have lower than the 6.5% estimated interest rate.

BUDGET IMPLICATIONS

An estimate of the interest payments for this debenture will be included in the 2008/09 operating budget.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

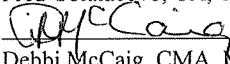
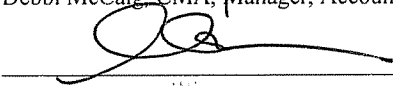
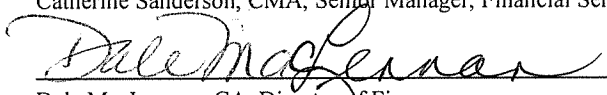
ALTERNATIVES

There are no alternatives.

ATTACHMENTS

Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate \$26,500,000.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Fred Colaiacovo, CA, Team Lead Accounting 490-5656
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 Report Approved by: 
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Resolution for Pre-Approval of Debenture Issuance Subject to Interest Rate.

WHEREAS Section 91 of the *Municipal Government Act* provides that a municipality is authorized to borrow money, subject to the approval of the Minister of Service Nova Scotia and Municipal Relations;

AND WHEREAS the resolution of council to borrow was approved by the Minister of Service Nova Scotia and Municipal Relations as follows:

Resolution Number	Purpose	Ministerial Approval Date
03/04-01	Renewal of 03/04-01	October 2006
04/05-04	Renewal of 04/05-04	April 2007
05/06-02	Renewal of 05/06-02	September 2007
06/07-01	Financing of 06/07 capital budget	September 2006
07/08-01	Financing of 07/07 capital budget	September 2007

AND WHEREAS clause 91(1)(b) of the *Municipal Government Act* authorizes the council to determine the amount and term of , and the rate of interest, on each debenture, when the interest on a debenture is to be paid, and where the principal and interest on a debenture are to be paid;

AND WHEREAS clause 91(2) of the *Municipal Government Act* states, that in accordance with the *Municipal Finance Corporation Act*, the Mayor and Clerk or the person designated by the Council, by policy, shall sell and deliver the debentures on behalf of the municipality at the price, in the sums and in the manner deemed proper;

BE IT THEREFORE RESOLVED

THAT under the authority of Section 91 of the *Municipal Government Act*, the Halifax Regional Municipality borrow by the issue and sale of debentures a sum or sums not exceeding \$26,500,000 for a period not to exceed 10 years, subject to the approval of the Minister of Service Nova Scotia and Municipal Relations;

THAT the sum be borrowed by the issue and sale of debentures of the Halifax Regional Municipality in the amount that the Mayor and Clerk or the person designated by the Council deems proper, provided the average interest rate of the debenture does not exceed the rate of 6.5%;

THAT the debenture be arranged with the Nova Scotia Municipal Finance Corporation with interest to be paid semi annually and principal payments made annually;

THAT this resolution remains in force for a period not exceeding twenty four months from the passing of this resolution.

THIS IS TO CERTIFY that the foregoing is a true copy of a resolution duly passed at a meeting of the Municipal Council of the Halifax Regional Municipality held on the day of _____, 2008

GIVEN under the hands of the Mayor and Municipal Clerk and under the Corporate Seal of the Halifax Regional Municipality, this _____ day of _____, 2008.

Mayor

Municipal Clerk

Breakdown of Proposed Debenture 2008A1

EQUIPMENT & FLEET

Community Services	\$ 2,149
General Government	1,229,398
Police Services	82,003
Regional Operations	<u>3,455,640</u>
	<u>\$4,769,190</u>

LAND & BUILDINGS

Community Services	\$723,292
Fire & Emergency Services	147,660
General Government	13,357
Library Services	17,193
Police Services	337,380
Regional Operations	<u>140,361</u>
	<u>\$1,379,243</u>

PARKS & PLAYGROUNDS

\$439,583

STREETS & SIDEWALKS

\$19,911,984

Total Debenture

\$26,500,000